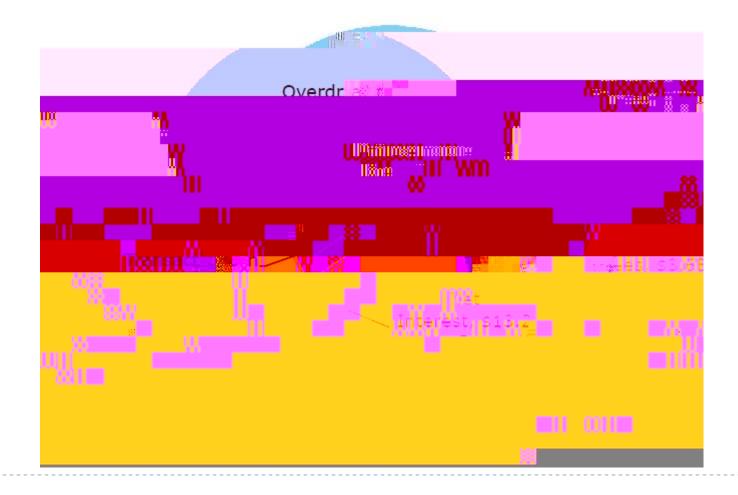
Stango and Zinman "Limited and Varying Consumer Attention: Evidence from Shocks to the Salience of Bank Overdraft Fees"

Discussion by Karen Pence Federal Reserve Board

DISCLAIMER. THESE ARE MY VIEWS AND NOT NECESSARILY THOSE OF THE FEDERAL RESERVE BOARD OR ITS STAFF.

Overdraft fees are a large source of revenue for banks

Industry revenue from checking fees, 2008



What they find

Bank customers who are reminded—by participating in a survey—about the overdraft features of their accounts are less likely to subsequently incur overdraft fees

Effect appears larger in more financially vulnerable groups

Results are still preliminary, and ideally authors would have more variation in the timing of the overdraft surveys

Transactions data are from February 2006 to December 2008; surveys were asked in August, October, and November 2006

Monothologe finding is consistent across camples

Natural extension: exploit revisions to Regulation E

As of August 15, 2010, banks cannot provide standard overdraft services for everyday debit card or ATM transactions unless the customer explicitly "opts in"

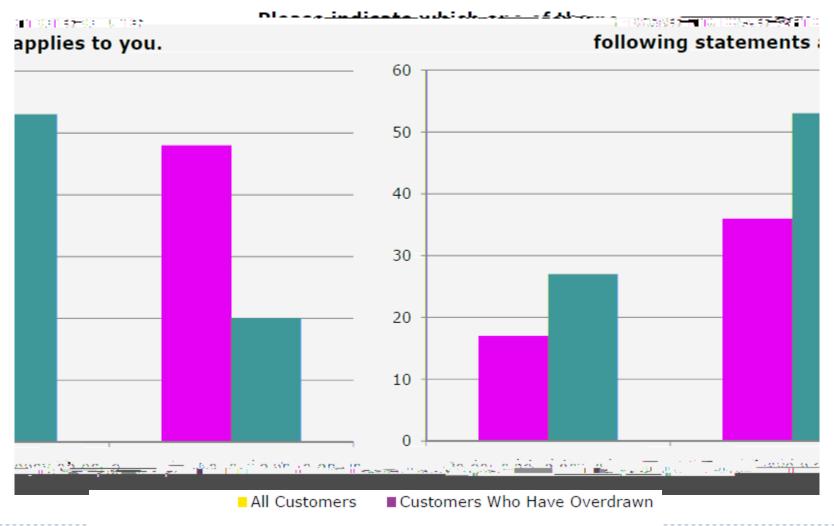
New rules do not cover check transactions or automatic bill payments

Banks provided extensive messaging to their customers about this "opt-in" choice

With their data, the authors can contrast the transactions affected (or not) by the changes to

Regulation E

"Informed" customers (those with overdrafts in the past 6 months) are still interested in overdraft protection



Bank messages to consumers about their optin choice

